

Message Text

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62

ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 L-03 /033 R

DRAFTED BY EB/AN:JBMAGNOR:BA

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CAB:ALARGAY

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

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FOR CHAIRMAN USDEL CIVAIR

E.O. 11652: N/A

TAGS: EAIR, UK

SUBJECT: RATE OF RETURN ELEMENT IN USDOT ECONOMIC ANALYSES

1. CAB-BAS (TSERONIS) HAS REQUESTED DEPT TRANSMIT TO
CHAIRMAN USDEL FOLLOWING COMMENTS WITH RESPECT TO US DOT'S
ECONOMIC ANALYSES.

2. DOT METHOD USING REVENUE PLUS 15 PERCENT TO ALLOW
FOR INTEREST AND TAXES TO REACH AN ROI OF 12 PERCENT IS
BIASED ON THE HIGH SIDE OVER FIVE YEAR PERIOD ALTHOUGH
IT WILL SUFFICE AS "BALL PARK" INDICATOR. INTEREST IS
A FIXED ITEM UNRELATED TO REVENUE WHICH IN BOTH DOT AND
CAB ANALYSES RISES AT A MUCH FASTER RATE THAN DO COSTS.
CAB ANALYSIS, RELYING ON THE HISTORICAL RELATIONSHIP
BETWEEN OPERATING COSTS AND INVESTMENT (I.E. 67 PERCENT
OF OPERATING COSTS) MULTIPLIED BY 14 PERCENT TO DETERMINE
ROI BEFORE TAXES AND INTEREST, IS MORE CONSISTENT
STATISTICALLY THAN DOT METHOD.

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Message Attributes

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